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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER  
8- 43850

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2011 AND ENDING 12/31/2011  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: BROOKS, HOUGHTON SECURITIES, INC.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

444 MADISON AVENUE, 25th FLOOR

(No. and Street)

NEW YORK, N.Y.

(City)

(State)

10022

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

GERALD H. HOUGHTON

(212) 753-1991

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

GREENE, ARNOLD G., CPA

(Name - if individual, state last, first, middle name)

866 UNITED NATIONS PLAZA, N.Y. N.Y. 10017

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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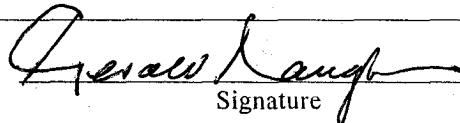
## OATH OR AFFIRMATION

I, GERALD H. HOUGHTON, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of BROOKS, HOUGHTON SECURITIES, INC., as of DECEMBER 31, 2011, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

  
Signature

PRESIDENT

Title

Varsha B. Patel  
Notary Public

**VARSHA B. PATEL**  
**NOTARY PUBLIC OF NEW JERSEY**  
**MY COMMISSION EXPIRES**  
**ON MARCH 10, 2013**

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition. (CASH FLOWS)
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☒ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

# **BROOKS, HOUGHTON SECURITIES, INC.**

## **CONTENTS**

**DECEMBER 31, 2011**

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Accountant's Report	1
Primary financial statements:	
Statement of Financial Condition	2
Statement of Income and Expense	3
Statement of Cash Flows	4
Statement of Changes in Stockholders Equity	5
Notes to Financial Statements	6
Supplementary information:	
Computation of Net Capital	7
Aggregate Indebtedness	7
Reconciliation of Net Capital with Focus Report	8
Computation for determination of reserve requirements under Rule 15c3-3 of the Securities and Exchange Commission.	9
Information relating to possession or control requirements under Rule 15c3-3 of the Securities and Exchange Commission.	10
Accountant's Report on Internal Accounting Control	11-12

**ARNOLD G. GREENE**

CERTIFIED PUBLIC ACCOUNTANT

866 UNITED NATIONS PLAZA

NEW YORK, N.Y. 10017

(516) 742-2198

FAX (516) 742-5813

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors and  
Stockholders of

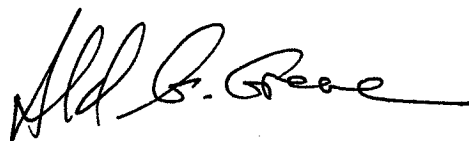
**BROOKS, HOUGHTON SECURITIES, INC.**

I have audited the accompanying statement of financial condition of Brooks, Houghton Securities, Inc., as of December 31, 2011, and the related statements of income and expense, changes in stockholders' equity, and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of Brooks, Houghton Securities, Inc., as of December 31, 2011, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplementary schedules listed in the accompanying index is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



February 6, 2012

# **BROOKS, HOUGHTON SECURITIES, INC.**

## **STATEMENT OF FINANCIAL CONDITION**

**DECEMBER 31, 2011**

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### **ASSETS**

#### **Current assets:**

Cash	\$ 124,110
Money Market account	51,157
Accounts receivable	1,273,800
Due from affiliated company	19,620
Loan receivable	75,000
Prepaid expenses	<u>1,754</u>

<b>Total assets</b>	<b><u>\$ 1,545,441</u></b>
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### **LIABILITIES AND STOCKHOLDERS' EQUITY**

#### **Current liabilities:**

Accrued expenses	<u>\$ 5,680</u>
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<b>Total liabilities</b>	<b>5,680</b>
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#### **Stockholders' equity:**

Common stock, no par value	
1500 shares authorized	
200 shares outstanding	\$ 5,000
Additional paid-in-capital	85,886
Retained earnings	<u>1,448,875</u>

<b>Total stockholders' equity</b>	<b><u>1,539,761</u></b>
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<b>Total liabilities and stockholders' equity</b>	<b><u>\$1,545,441</u></b>
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See notes to financial statements.

**BROOKS, HOUGHTON SECURITIES, INC.**

**STATEMENT OF INCOME AND EXPENSE**

**FOR THE YEAR ENDED DECEMBER 31, 2011**

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**Revenues:**

Fee income	\$ 400,420
Investment income	<u>49</u>

<b>Total revenue</b>	<b>400,469</b>
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**Expenses:**

Management fees	\$ 60,000
Telephone	13,150
Regulatory fees and expenses	6,824
Office supplies	10,748
Travel	1,000
Professional fees	21,200
Insurance	1,203
Outside services	18,212
Equipment rental	2,800
Consulting expense	154,000
Other expenses	<u>1,346</u>

<b>Total expenses</b>	<b><u>(290,483)</u></b>
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<b>Net income before Federal Income Tax</b>	<b>109,986</b>
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Less: Federal taxes	<u>(5,000)</u>
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<b>Net income</b>	<b><u>\$104,986</u></b>
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See notes to financial statements.

# **BROOKS, HOUGHTON SECURITIES, INC.**

## **STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2011**

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### **Cash flows from operating activities**

Net income	\$104,986
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### **Changes in operating assets and liabilities:**

Accounts receivable	\$ 63,800	
Due from affiliates	54,780	
Prepaid expenses	1,500	
Accrued expenses	5,023	
Loan receivables	(75,000)	
Capital subscribed	<u>75,000</u>	
<b>Total adjustments</b>		<u>(2,497)</u>

<b>Net cash provided by operating activities</b>	<b>102,489</b>
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### **Cash used in investing activities**

Money Market account	<u>4</u>	<u>( 4)</u>
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<b>Net increase in cash and cash equivalents</b>	<b>102,485</b>
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<b>Cash and cash equivalents - January 1, 2011</b>	<b><u>21,625</u></b>
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<b>Cash and cash equivalents – December 31, 2011</b>	<b><u>\$ 124,110</u></b>
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The accompanying notes are an integral part of these financial statements.

**BROOKS, HOUGHTON SECURITIES, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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Stockholders equity, January 1, 2011	\$1,359,775
Add: Net income	104,986
Stock subscription	<u>75,000</u>
Stockholders equity, December 31, 2011	<u><b>\$1,539,761</b></u>

See notes to financial statements.



# **BROOKS, HOUGHTON SECURITIES, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

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**1. ORGANIZATION :**

Brooks, Houghton Securities, Inc. (the "Company"), is a broker-dealer registered with the Financial Industry Regulatory Authority, Inc. (FINRA). The company became a corporation on August 7, 1990.

**2. SIGNIFICANT ACCOUNTING POLICIES:**

Income taxes are based on the net income of the company. These financial statements have been prepared in conformity with generally accepted accounting principles.

**3. NET CAPITAL REQUIREMENTS:**

As a broker-dealer and member organization of the Financial Industry Regulatory Authority Inc.(FINRA), the Company is subject to the Uniform Net Capital Rule 15c3-1 of the Securities and Exchange Commission, which requires that the Company maintain minimum net capital of 6-2/3% of aggregate indebtedness, as defined, or \$5,000 whichever is greater. At December 31, 2011, the Company had net capital of \$168,155 as indicated on page 7 of this audited report which was \$163,155 in excess of it's required net capital of \$5,000. In January 2012, the Company filed Part IIA of Form X-17a-5 (unaudited) and reported the same net capital of \$168,155.

**4. RELATED PARTY TRANSACTIONS:**

Pursuant to an agreement between Brooks, Houghton Securities, Inc. (the Company) and Brooks, Houghton & Company, Inc., dated June 6, 2002, Brooks, Houghton & Co., Inc. provides the use of its facilities to the Company.

# BROOKS, HOUGHTON SECURITIES, INC.

## COMPUTATION OF NET CAPITAL

DECEMBER 31, 2011

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Common Stock	\$ 5,000
Additional paid-in-capital	85,886
Retained earnings	<u>1,448,875</u>
	1,539,761
Less: non-allowable assets	<u>(1,370,174)</u>
Net capital before haircuts	169,587
Less: haircuts on securities (2% of \$51,157=\$1,023)	
(2% of \$20,447= 409)	<u>( 1,432)</u>
Net capital	<b>168,155</b>

Greater of:

Minimum dollar net capital required \$5,000

or

Minimum net capital required: (6.67% of aggregate  
indebtedness \$5,680) \$ 379 5,000

**Excess net capital** **\$163,155**

### AGGREGATE INDEBTEDNESS

Accounts payable and accrued expenses, etc. \$ 5,680

Percentage of aggregate indebtedness to net capital 3.38%

See notes to financial statements.

**BROOKS, HOUGHTON SECURITIES, INC.**

**RECONCILIATION OF NET CAPITAL WITH FOCUS REPORT**

**DECEMBER 31, 2011**

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Net capital per company's unaudited X-17A-5, Part IIA Filing (Focus Report)	\$168,155
Add: Audit Adjustments	<u>-0-</u>
Net capital per audited report, December 31, 2011	<u><b>\$168,155</b></u>

\*Audit adjustment is due to reclassifications made during the audit.

**BROOKS, HOUGHTON SECURITIES, INC.**

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS UNDER  
RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION**

**DECEMBER 31, 2011**

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The Company claims exemption from the requirements of rule 15c3-3, under Section (k) (2) (i) of the rule.

**BROOKS, HOUGHTON SECURITIES, INC.**

**INFORMATION RELATING TO POSSESSION OR CONTROL  
REQUIREMENTS UNDER RULE 15c3-3 OF THE SECURITIES AND  
EXCHANGE COMMISSION**

**DECEMBER 31, 2011**

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The Company claims exemption from the requirements of Rule 15c3-3, under Section (k)(2)(i) of the rule.

ARNOLD G. GREENE  
CERTIFIED PUBLIC ACCOUNTANT  
866 UNITED NATIONS PLAZA  
NEW YORK, N.Y. 10017  
—  
(516) 742-2198  
FAX (516) 742-5813

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL**  
**REQUIRED BY SEC RULE 17a-5**

To the Board of Directors and Stockholders of

**BROOKS, HOUGHTON SECURITIES, INC.**

In planning and performing my audit of the financial statements and supplementary schedules of Brooks, Houghton Securities, Inc. (the "Company") for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, I considered the Company's internal control over financial reporting (Internal control) as a basis for designing our auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, I do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(I) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts verifications, and comparisons, and recordation of differences required by Rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *control deficiency* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements, will not be prevented or detected by the entity's internal control.

My consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. I did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

I understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2011, to meet the SEC's objectives.

This report is intended solely for the information and use of management, the SEC, the Financial Industry Regulation Authority, Inc. and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

February 6, 2012

